

INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 U.S.C. 822a), which authorized establishment of a Treasury Department fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (+) or loss (-) for the fund are profits (+) or losses (-) on SDRs and foreign exchange, as well as interest earned on assets.

• Table **ESF-1** presents the assets, liabilities, and *capital* of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the *IMF*. Gains and losses are reflected in the cumulative net income (+) or loss (-) account.

• Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profits (+) or losses (-) on foreign exchange" includes realized profits or losses. "Adjustment for change in valuation of *SDR holdings and allocations*" reflects net gain or loss on revaluation of SDR holdings and allocations for the quarter.

TABLE ESF-1.--Balances as of Mar. 31, 1996, and June 30, 1996

[In thousands of dollars. Source: Office of the Secretary of the Treasury]

Assets, liabilities, and capital	Mar. 31, 1996	Mar. 31, 1996, through June 30, 1996	June 30, 1996
Assets			
U.S. dollars:			
Held at Federal Reserve Bank of New York . .	426	-426	-
Held with Treasury:			
U.S. Government securities	3,895,086	290,001	4,185,087
Special drawing rights ¹	11,049,127	-3,302	11,045,825
Foreign exchange and securities: ²			
German marks	6,715,503	-144,258	6,571,245
Japanese yen	9,737,835	-210,131	9,527,704
Mexican pesos	10,500,000	-	10,500,000
Accounts receivable	345,460	5,829	351,289
Total assets	42,243,437	-62,287	42,181,150
Liabilities and capital			
Current liabilities:			
Accounts payable	216,234	99,741	315,975
Total current liabilities	216,234	99,741	315,975
Other liabilities:			
Special drawing rights certificates	10,168,000	-	10,168,000
Special drawing rights allocations	7,159,235	-87,543	7,071,692
Total other liabilities	17,327,235	-87,543	17,239,692
Capital:			
Capital account	200,000	-	200,000
Net income (+) or loss (-) (see table ESF-2) . .	24,499,968	-74,485	24,425,483
Total capital	24,699,968	-74,485	24,625,483
Total liabilities and capital	42,243,437	-62,287	42,181,150

See footnotes on the following page.

TABLE ESF-2.--Income and Expense

[In thousands of dollars. Source: Office of the Secretary of the Treasury]

	Current quarter Apr. 1, 1996, through June 30, 1996	Fiscal year to date Oct. 1, 1995, through June 30, 1996
Income and expense		
Profits (+) or losses (-) on:		
Foreign exchange	-418,703	-1,415,069
Adjustment for change in valuation of special drawing rights holdings and allocations ¹ . . .	-48,437	-160,980
Interest (+) or net charges (-) on:		
Special drawing rights	37,672	115,290
U.S. Government securities	54,359	137,852
Foreign exchange	300,624	936,257
Income from operations	-74,485	-386,650
Net income (+) or loss (-)	-74,485	-386,650

¹ Beginning July 1974, the International Monetary Fund adopted a technique for valuing the special drawing rights (SDRs) based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

² Excludes foreign exchange transactions for future and spot delivery.

Note.--Annual balance sheets for fiscal years 1934 through 1940 appeared in the 1940 "Annual Report of the Secretary of the Treasury" and those for succeeding years appeared in subsequent reports through 1980. Quarterly balance sheets beginning with December 31, 1938, have been published in the "Treasury Bulletin." Data from inception to September 30, 1978, may be found on the statements published in the January 1979 "Treasury Bulletin."